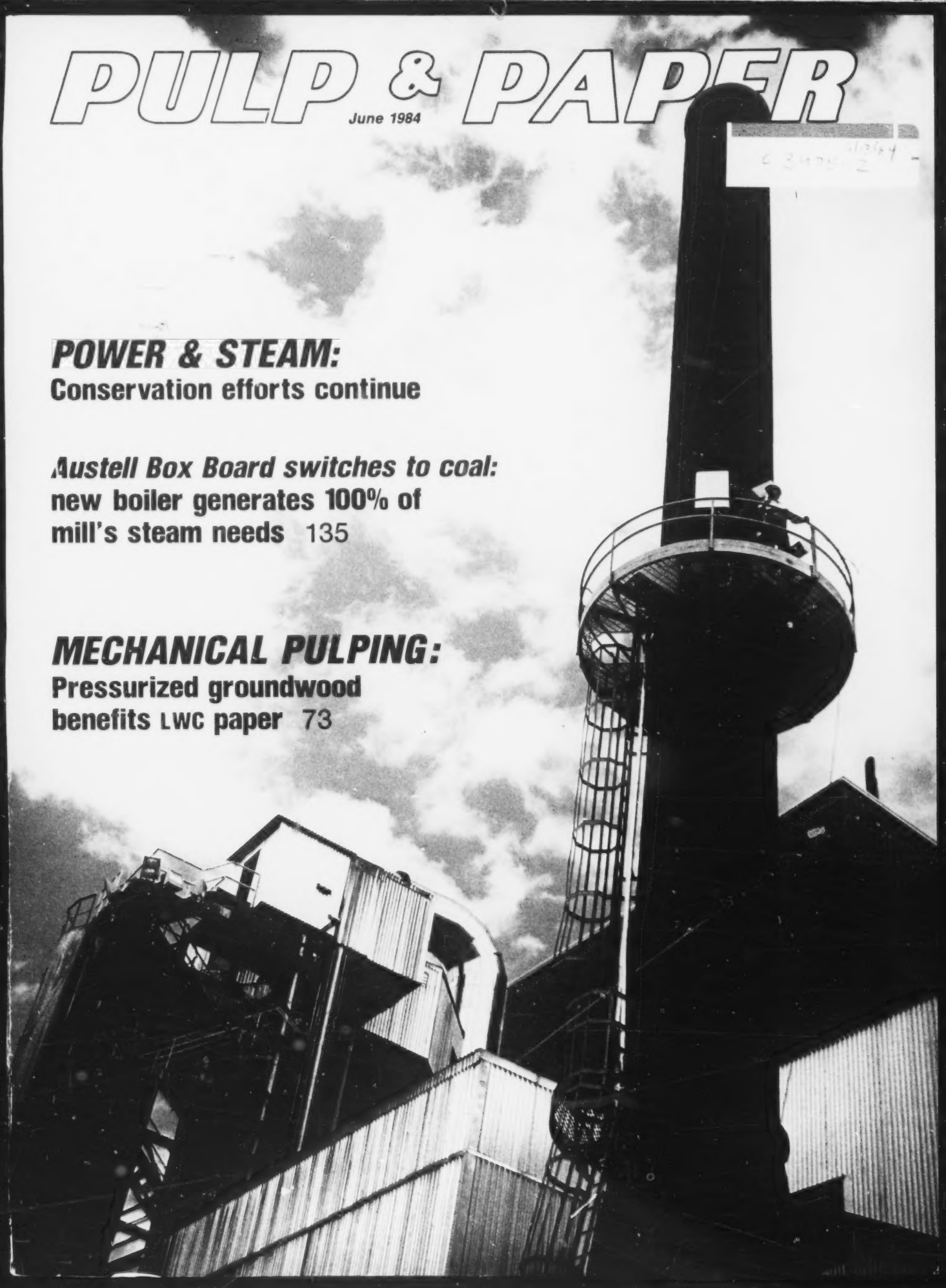
PULP & PAPER

June 1984



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COVER: *Austell Box Board's new coal-fired boiler is featured as part of this issue's focus on Power & Steam. (Staff photo by Matt Coleman.)*

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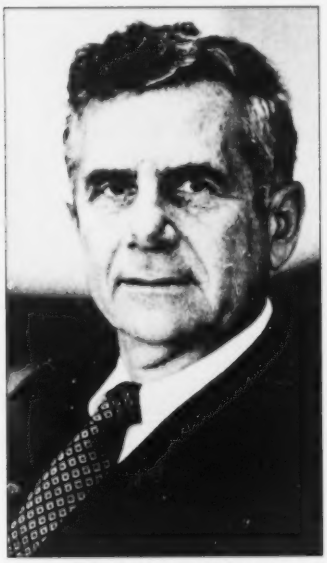

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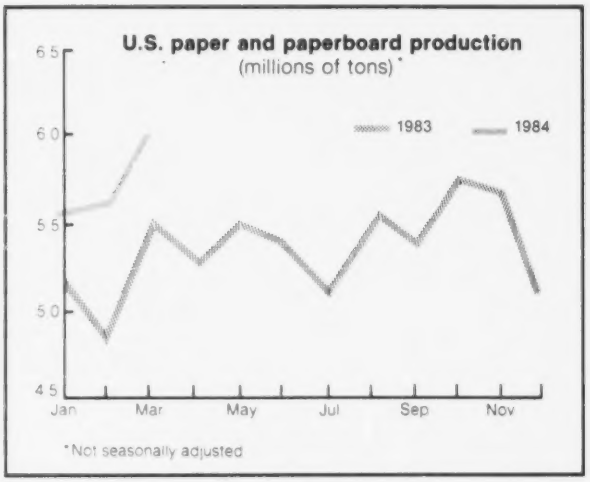
U.S. paper and paperboard production in March jumped 9.3% over last year to a very strong 6.03 million tons, the first time ever that a single month's production has exceeded 6.0 million tons, said the American Paper Institute. Both paper and board production exceeded 3.0 million tons for the month, another record. The February-March two-month moving average of seasonally adjusted data was down 1.0% from February, however, to a rate of 87.9 million tpy. In part, API said, the drop reflects the fact that some grades are at maximum capacity, preventing mills from making the usual seasonal increases.

Among major grades, printing and writing papers continued to lead the way. For the first quarter, uncoated groundwood was up 18.9% on a seasonally adjusted basis over last year, while coated output jumped 18.0%. Containerboard was up 13.0% for the quarter, led by a 15.1% increase in recycled board. Shipments of corrugated boxes climbed 8.4% in March to 23.650 billion ft², according to the Fibre Box Assn.

Canadian newsprint shipments in March dropped 0.3% from last year to 6.7 million tons, said the Canadian Pulp & Paper Assn., while operating rates stood at 79%.



		Latest month (000 short tons)	% change from year ago	Annualized year-to-date (000 short tons)	% change from year ago
PAPER & PAPERBOARD PRODUCTION[1]					
Newsprint	March	478	6.7	5,560	6.2
Uncoated groundwood (s)	March	143	15.3	1,654	18.9
Coated paper (s)	March	537	18.5	6,274	18.0
Uncoated free sheet (s)	March	782	2.1	9,192	7.7
Unbleached kraft packaging and industrial (s)	March	352	12.5	3,982	4.4
Tissue	March	426	7.8	4,911	5.0
Total paper	**March**	**3,023**	**9.0**	**35,029**	**9.4**
Kraft linerboard, unbleached	March	1,394	6.7	15,875	10.0
Semichemical medium	March	452	14.4	5,173	15.2
Bleached paperboard	March	357	6.6	4,074	5.1
Recycled paperboard	March	702	13.8	8,088	15.1
Total paperboard	**March**	**3,007**	**9.5**	**34,342**	**11.4**
Total paper and paperboard[5]	**March**	**6,030**	**9.3**	**69,371**	**10.4**
PULP, WASTEPAPER & FIBER[2]					
Total woodpulp production	February	4,538	12.2	54,309	9.3
Market pulp production	February	564	15.6	6,631	15.5
Wastepaper consumption at paper/board mills	February	1,276	15.4	15,410	11.2
Pulpwood consumption (cords)	February	7,295	7.7	86,880	5.2
CONVERTED PRODUCTS STATISTICS[3]					
Corrugated box shipments (billion ft²)	March	23.650	8.4	67.703[6]	11.7
Containerboard inventories at box plants	Mar. 1	2,468	2.7		
INTERNATIONAL TRADE[2]					
U.S. paper imports (including products)	February	853	54.0	1,044	40.3
Imports of Canadian newsprint	February	612	41.7	7,570[6]	29.7
U.S. paper exports (including products)	February	331	−11.5	4,033	−7.1
Exports of unbleached kraft linerboard	March	102	−47.7	1,131	14.2
Exports of woodpulp	February	317	20.5	3,461	14.3
CANADIAN STATISTICS[4] (reported in metric tons)					
Total newsprint shipments	March	674	−0.3	2,018[6]	7.0
Operating rates	March	79%	80%	84%	81%
Inventories held by U.S. consumers	Mar. 31	1,234	−2.1		
Woodpulp shipments (export only)	March	441	25.3	1,487[6]	−4.6
Operating rates	March	60%	85%	71%	83%

1. American Paper Institute. 2. API, Bureau of Census, American Pulpwood Assn. 3. Fiber Box Assn., Paperboard Packaging Council. 4. Canadian Pulp & Paper Assn. 5. Includes construction and wet machine grades. 6. Not annualized. 7. Not directly comparable to year ago because of coding change. (s) = shipments.

Corrugating medium: Tight market forecast due to slow capacity growth

Statistics:	1982	1983	1984e
Production, 000 tons			
Semichemical[1]	4,389	4,731	5,025
Recycled[1]	1,156	1,302	1,430
Total	5,545	6,033	6,455
Capacity, 000 tons			
Semichemical	5,207	5,156	5,218
Recycled	1,478	1,555	1,582
Utilization rates, %			
Semichemical	84.3	91.8	96.3
Recycled	78.2	83.7	90.4
Imports, 000 tons[2]	47	70	70
Exports, 000 tons[2]	61	74	80
Apparent U.S. consumption			
000 tons	5,531	6,029	6,445
lb/capita	47.68	51.48	54.62
000 tons/$billion real GNP (1972)	3.72	3.92	4.00

1. American Paper Institute. 2. Bureau of Census. e = estimated

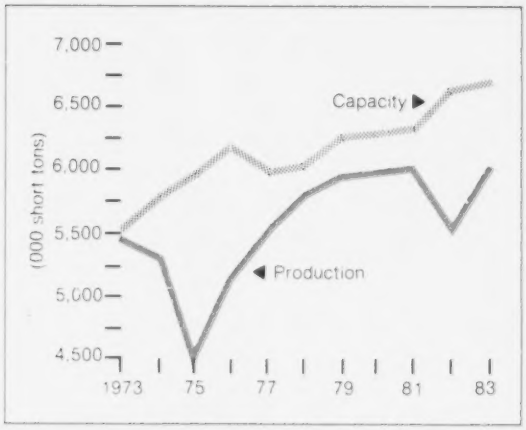
GRADE STRUCTURE: Corrugating medium includes paperboard made from both semichemical pulp and recycled fiber. In 1983, 78% of corrugating medium was made from semichemical pulp furnish (which normally contains at least 20% recycled fiber), and 22% was "bogus" medium, made from recycled fiber. Basis weights of corrugating medium are 22, 26, 33, and 36 lb/1000 ft². Standard sheet weight is 26 lb, which accounts for more than 80% of production. Recycled medium for equivalent uses is normally produced in slightly higher weights.

PRODUCTION/CAPACITY: In 1983, production of corrugating medium jumped by 8.8% to 6.03 million tons, reflecting a 7.4% rise in U.S. corrugated box shipments. Semichemical medium production increased 7.8% to 4.73 million tons, while recycled medium jumped 12.6% to 1.3 million tons.

With almost flat capacity growth last year, operating rates for semichemical medium mills snapped back to 91.8% from 84.3% in 1982, while recycled medium mills ran at 83.7% in 1983. Availability of semichemical medium became tight toward the end of 1983 with some integrated companies scratching for supplies. The startup of several machines idled during the recession has helped to ease the tightness. Most recently, a 300-tpd machine at Manville Forest Products was to have been reactivated by mid-year.

OUTLOOK: With corrugated box shipments forecast to jump another 7% in 1984, corrugating medium production should rise by a similar amount (assuming no major change in inventories) to about 6.46 million tons. Semichemical medium output is forecast to rise 6.2% to 5.03 million tons; recycled medium should jump 9.8% to 1.4 million tons.

With overall capacity expected to rise only 1.3% this year, operating rates in 1984 for semichemical medium mills and recycled mills should average 96.3% and 90.4%, respectively. Semichemical medium capacity is forecast to rise only 97,000 tons over the 1984-86 period, while recycled medium capacity increases only 30,000 tons, according to the latest American Paper Institute capacity survey.



Estimated capacities of major U.S. companies are:

	Annual capacity (000 tons)			
	Semi-chemical medium	Recycled medium	Total	Capacity share (%)
1. Weyerhaeuser	609	—	609	11.7
2. Owens-Illinois	600	—	600	11.5
3. Inland Container	186	246	432	8.3
4. Stone Container	387	—	387	7.4
5. Willamette Industries	230	120	332	6.4
6. Champion International	206	125	331	6.3
7. Mead	330	—	330	6.3
8. Container Corp.	115	160	275	5.3
9. Packaging Corp.	254	—	254	4.9
10. International Paper	245	—	245	4.7
11. Virginia Fibre	215	—	215	4.1
12. MacMillan Bloedel	210	—	210	4.0

U.S. capacity (1984): 5.218 million tons
Capacity share of top five companies: 45.2%
Capacity share of top ten companies: 72.7%

PRICING: Containerboard producers pushed through a $30/ton price increase on Feb. 1, which lifted the price of 26-lb semichemical medium to $310/ton. This brought the price over its prerecession peak of $290/ton which had been in effect through most of 1981. Discounting during the recession drove prices to $240/ton and below during late 1982 and early 1983—an unprofitable level for most semichemical medium mills. Another attempt to boost medium prices by as much as $40/ton is expected this fall as producers attempt to restore profit margins before any possible weakening in the economy in 1985.

Price history for 26-lb semichemical medium in the eastern U.S. is as follows (year-end transaction prices): 1975, $200; 1976, $200; 1977, $180; 1978, $210; 1979, $260; 1980, $260; 1981, $260; 1982, $240; 1983, $280. Recycled medium may sell at the same level as semichemical or at about a $5/ton discount, depending on quality. The West Coast price has generally been slightly higher than the eastern price.

(News section continues on page 23)

SALES AND EARNINGS

Improved results show big gains ahead

U.S. pulp and paper companies posted solid gains in both sales and earnings for the first quarter of 1984, taking advantage of record production levels and a series of price hikes in a number of major grades to restore badly eroded profit margins. Earnings for the quarter were up 59.0% from the first quarter of 1983, while sales rose 19.2%, according to a *P&P* survey of 21 companies. A number of companies reported record sales and earnings, and most CEO's looked on the first quarter as a solid base for substantial gains throughout 1984. U.S. forest products companies reported profits up 88.5% from depressed year-earlier levels, according to the quarterly reports of seven companies, while sales were up 17.5%.

International Paper Co. reported first-quarter net income of $55.3 million, down 20.4% from the 1983 quarter. Excluding nonrecurring gains made in both years, however, pretax earnings increased over fivefold. IP reported. "Our improved operating performance is encouraging, and March was a strong month," said Edwin A. Gee, chairman and CEO. "Our operating rates are pressing full capacity, and the pricing environment for many of our products is better than it has been in several years."

St. Regis Corp.'s first-quarter earnings jumped 120.3% compared to 1983, totaling $27.1 million. Printing papers accounted for nearly half of St. Regis's profits from operations, said chairman and CEO William R. Haselton. Crown Zellerbach Corp.'s net of $21.2 million was up 3.9% from last year. "Results were better than we anticipated, particularly in view of the first-quarter seasonal decline we ordinarily experience in several of our businesses," said William T. Creson, chairman, president and CEO.

Records in packaging, tissue. Led by its paper operations, which set records in both production and earnings, Mead Corp.'s profits rose to $21.6 million for the first quarter, compared to a loss of $10.4 million last year. The company estimated a loss of $5.5 million from the labor-related shutdown of pulp mills in British Columbia.

Union Camp Corp. set a record for first-quarter earnings with net income of $42.2 million, up 57.4% from the 1983 quarter. Stone Container Corp.'s net totaled $2.4 million for the quarter, compared to a loss of $962,000 in the 1983 quarter. Temple-Inland Inc. also reported improvements in each of its business segments, with first-quarter earnings of $20.8 million up 114.4% from 1983.

Tissue producers benefited from higher unit volumes and price increases during the first quarter. Kimberly-Clark Corp. posted first-quarter net income of $53.2 million, up 1.3% from 1983, on record sales of $902.4 million, up 11.3%. Scott Paper Co.'s profits for the quarter totaled $34.2 million, a 78.9% improvement over the 1983 quarter. Fort Howard Paper Co. posted net income of $29.6 million for the quarter, up 26.1% from last year.

Low prices hurt building products. The first quarter marked a "slow start to a much better year," according to George H. Weyerhaeuser, president and CEO of Weyerhaeuser Co. The company reported net income for the quarter of $36.6 million, up 63.2% from the 1983 quarter.

Georgia-Pacific Corp. posted earnings of $51.0 million for the first quarter, up 70.0% from 1983, with improved results in all of its businesses. G-P's 1983 net included a pretax gain of $27 million from the settlement of a contract dispute.

Champion International Corp.'s net income rose 252.8%, to $29.1 million, from depressed year-earlier levels. Boise Cascade Corp.'s net of $27.9 million was up 150.5% from 1983. Louisiana-Pacific Corp. posted earnings of $6.7 million for the first quarter, up 55.8% from the 1983 quarter.

U.S. PAPER/FOREST PRODUCTS RESULTS

	First quarter ($000)			
Paper companies	**Sales**	**Change 1984/83**	**Earnings[1]**	**Change 1984/83**
Chesapeake	$73,750	23.2%	$2,760	161.0%
Consolidated	171,203	24.7	19,467	83.7
Crown Zellerbach	713,100	15.6	21,200	3.9
Federal Paper	138,901	10.5	4,980	3242.3
Fort Howard	306,267[2]	129.7	29,630	26.1
Glatfelter	84,733	38.4	9,457	114.1
GN Nekoosa	459,100	23.5	29,700	95.4
Hammermill	423,730	19.0	15,150	357.3
Int'l. Paper	1,154,900	6.1	55,300[3]	−20.4
James River (1/22)[4]	556,699	32.0	20,737	87.4
Kimberly-Clark	902,400	11.3	53,200	1.3
Mead	657,300[5]	20.4	21,600	n.m.[6]
Mosinee	52,175[7]	117.3	2,586	112.7
Pentair	119,362	70.8	5,783	237.2
St. Regis	775,400	19.1	27,100	120.3
Scott	612,797	8.0	34,198	78.9
Stone Container	315,507	164.3	2,414	n.m.[6]
SW Forest	174,806[5]	33.9	3,441	n.m.[6]
Temple-Inland	313,500	9.5	20,800	114.4
Union Camp	490,559[5]	23.9	42,197	57.4
Wausau (2/29)[4]	53,658	27.2	819[8]	−31.9
Willamette	284,048	14.9	8,188	119.1
Total	**8,833,895**	**21.6**	**430,617**	**60.5**
Forest products				
Boise Cascade	948,180	23.0	27,880	150.5
Champion Int'l.	1,147,687	14.6	29,129	252.8
Georgia-Pacific	1,631,000	14.9	51,000[9]	70.0
Louis.-Pacific	308,960	28.6	6,730	55.8
Pope & Talbot	81,892	22.5	2,110	−3.5
Potlatch	250,105	16.2	12,528	28.9
Weyerhaeuser	1,277,534	17.3	36,648	63.2
Total	**5,645,358**	**17.5**	**166,025**	**88.5**
U.S. total	**14,479,253**	**20.0**	**596,642**	**67.4**

1. Income after taxes, from continuing operations, excluding most significant nonrecurring items in both years.
2. 1984 figures include results of Maryland Cup Corp., acquired in September 1983.
3. Net income includes pretax gains of $16.8 million from sale of land in 1984 and $63.5 million from sale of timber in 1983.
4. Period ended. James River figures are third quarter; Wausau second.
5. 1983 results restated by company.
6. Not meaningful due to loss in 1983 quarter.
7. 1984 figures include results of Sorg Paper Co., acquired in June 1983.
8. 1983 net includes a pretax gain of $469,000 on sale of Hennepin Paper Co.
9. 1983 net includes a pretax gain of $27 million from settlement of a contract dispute.

n.m. = not meaningful.